Exhibit B

Renewable Water Resources
Financial Statements
and Supplemental Information

Six month period ended December 31, 2016

Cherry Bekaert LLP
CPAs & Advisors

Renewable Water Resources
Greenville, South Carolina

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Report of Independent Auditor

To the Board of Commissioners
Renewable Water Resources
Greenville, South Carolina

We have audited the accompanying statements of net position of Renewable Water Resources (the "Agency") as of December 31, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the period from July 1, 2016 to December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency, as of December 31, 2016, and the results of its operations and its cash flows thereof for the period from July 1, 2016 to December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the basic financial statements, effective July 1, 2016, the Agency changed its fiscal year end from June 30 to December 31. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and required supplementary information schedules on pages 44 through 46 to be presented supplement to the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated on March 21, 2017 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Greenville, South Carolina
March 21, 2017

Management's Discussion and Analysis

Renewable Water Resources
Management's Discussion and Analysis

As management of Renewable Water Resources ("ReWa" or the "Agency"), we present this narrative overview and analysis of financial performance for the six months ended December 31, 2016. ReWa's six month short year ("SY") is for the period beginning July 1, 2016 and ending December 31, 2016. Since inception, ReWa has been on a July 1 to June 30 fiscal year and moved to a calendar year basis for financial reporting effective July 1, 2016. The use of a calendar year for budgeting and financial reporting will align financial data with operational and performance data. The short year in 2016 transitions from the June 30 fiscal year basis to the December 31 calendar year basis; as such, comparisons between the current year and prior years will be difficult because of the different number of months reflected in each year. Please consider this information in conjunction with the financial statements and related notes, which follow this section.

Financial Highlights

- The Agency's financial position continues to be strong. Net position increased \$9.7 million or 3.2%, to \$314.4 million as a result of current year operations.
- Total revenues for the period ended December 31, 2016 were \$46.0 million.
- Operating expenses before depreciation totaled \$19.1 million for the period ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements of the Agency. The basic financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows; with the related notes to provide additional details. These basic financial statements provide information about the activities and performance of the Agency using accounting methods similar to those found in the private sector. The Statement of Net Position present information on the Agency's assets, plus deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Agency's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present the current period results of operations and can be used to determine whether the Agency is recovering costs through user fees and charges.

The Statement of Cash Flows report cash receipts, cash payments and net changes in cash and cash equivalents for the current period. This statement may be used to determine sources of cash, uses of cash and changes in cash from operating, capital and related financing and investing activities. They may also be useful in assessing the Agency's ability to meet short-term obligations.

The Notes to Financial Statements provide required disclosures and other information essential to a full understanding of information reported in the statements. The notes present information about the Agency's accounting policies, significant account balances and activities, significant risks, obligations, commitments, contingencies and subsequent events, if applicable.

Net Position

The Agency's overall financial position improved during the six month period ended December 31, 2016. Net position for the short year ended December 31, 2016 and fiscal year ended June 30, 2016 totaled $314.4 and $304.7 million, respectively. In short year ended December 31, 2016, net position increased $9.7 million or 3.2% due to current period operations. The largest portion of the Agency's net position, approximately 77.4%, reflects the Agency's investment in capital assets (e.g., land, buildings, trunk lines, equipment and vehicles) less any related outstanding debt used to acquire those assets. The Agency uses these capital assets to provide services to ratepayers. Although the Agency's investment in capital assets is reported net of debt, the resources needed to repay this debt must be provided from other sources, as these capital assets cannot be liquidated to pay these liabilities.

An additional $36.4 million or 11.6% of the Agency's net position is restricted (restrictions established by debt covenants, enabling legislation or other legal requirements). In short year ended December 31, 2016, restricted net position increased $8.8 million or 31.9% primarily due to an accumulation of debt service funds in anticipation of the January 2017 principal payments.

A summary of the Agency's Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statements of Net Position (in millions)

	SY 2016	FY 2016
Current and noncurrent assets	$ 68.9	$ 72.7
Restricted assets	36.4	27.6
Capital assets	466.7	460.3
Total assets	572.0	560.6
Defeasance loss, net	8.0	8.6
Deferred outflows from pension	3.5	1.9
Total deferred outflows of resources	11.5	10.5
Current liabilities	32.9	32.9
Noncurrent liabilities	235.9	233.0
Total liabilities	268.8	265.9
Deferred inflows from pension	0.3	0.5
Total deferred inflows of resources	0.3	0.5
Net investment in capital assets	243.5	236.8
Restricted	36.4	27.6
Unrestricted	34.5	40.3
Total net position	$ 314.4	$ 304.7

Revenues

Table A-2 shows that the Agency's total revenues decreased $43.2 million or 48.4% to $46.0 million in short year 2016, which is a result of the six month short year compared to a twelve month year. The Agency's regulations provide for a sewer use charge that funds the operation of the system, provides a source of funds to repay liabilities and provides for future maintenance of the Agency's assets. The current user fee regulation in effect for short year 2016 was adopted December 6, 2010, and became effective March 1, 2015.

In the short year 2016, domestic and commercial revenue decreased $33.8 million or 46.9% to $38.2 million which is a result of the six month short year compared to a twelve month year.

Industrial revenue decreased $3.8 million or 50.0% to $3.8 million in short year 2016. The decrease is attributable to the six month short year compared to fiscal year 2016, a twelve month period.

New account fees, based on water meter size, decreased 56.1% or $4.6 million to $3.6 million in short year 2016 and totaled $8.2 million in fiscal year 2016, which is primarily due to the six month short year compared to fiscal year 2016, a twelve month period.

Interest, amortization and other nonoperating expenses decreased $4.3 million or 52.4% to $3.9 million in short year 2016 which is primarily due to the six month short year compared to fiscal year 2016, a twelve month period.

(Continued)

Revenues, continued

Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Position (in millions)

	SY 2016	FY 2016
Operating revenues		
Domestic and commercial customers	$ 38.2	$ 72.0
Industrial customers	3.8	7.6
New account fees	3.6	8.2
Septic haulers and other	0.2	0.6
Interest and other nonoperating revenues	0.2	0.8
Total revenues	46.0	89.2
Operating expenses		
Operations	7.7	15.4
Technical services	1.7	3.1
Collection system	2.0	3.8
IS and instrumentation	1.2	2.1
Human resources	1.4	2.4
Administration finance	5.1	6.5
Total operating expenses before depreciation	19.1	33.3
Depreciation	13.3	26.3
Total operating expenses	32.4	59.6
Interest, amortization and other nonoperating expenses	3.9	8.2
Total expenses	36.3	67.8
Increase in net position	9.7	21.4
Total net position, beginning of year	304.7	283.3
Total net position, end of year	$ 314.4	$ 304.7

Capital Contributions

Project reimbursement occurs when the Agency enters into a contract with one or more entities to construct facilities and/or sewer conveyance systems that will be mutually beneficial. In short year 2016, capital contributions totaled $0.01 million.

Expenses

Total expenses in short year 2016 totaled $36.3 million. Operating expenses before depreciation decreased $14.2 million or 42.6% to $19.1 million. The decrease in operating expenses in short year 2016 is largely attributable to the six month short year compared to fiscal year 2016, a twelve month period.

Non-project expenses, which are included in interest, amortization and other nonoperating expenses, can vary considerably from year to year. These expenses are one-time costs that are nonoperational and are not capitalizable.

Capital Assets

In short year 2016, capital assets being depreciated, net increased $14.9 million or 1.9% to $789.3 million, which is attributable to various line rehabilitations, pump station improvements and facility enhancements. At the end of short year 2016, the Agency had invested $466.7 million in infrastructure, which includes land, rights-of-way, trunk lines, buildings, operating equipment, water resource recovery facilities ("WRRF") equipment and vehicles as shown in Table A-3 and in Note 5 of the accompanying notes to financial statements.

Table A-3
Capital Assets (in millions)

	SY 2016	FY 2016
Capital assets not being depreciated		
Construction in progress	$ 21.3	$ 16.9
Land	3.5	3.6
Rights-of-way	0.5	0.3
Total capital assets not being depreciated	25.3	20.8
Capital assets being depreciated		
Buildings	357.4	350.8
Trunk lines	340.9	335.1
WRRF equipment	82.6	80.4
Operational equipment	7.3	6.8
Office furniture	0.4	0.4
Vehicles	0.7	0.9
Total capital assets being depreciated	789.3	774.4
Less: accumulated depreciation	347.9	334.9
Total capital assets being depreciated, net	441.4	439.5
Net capital assets	$ 466.7	$ 460.3

Capital improvement program

The Agency's Commission assembled a community-wide volunteer collaboration to develop an environmentally sound long-term strategy for the Agency. The collaboration was named the Upstate Roundtable and was tasked with aligning the regional wastewater system capacity and infrastructure with projected growth, while promoting environmental sustainability. Initially convened in 1994 and reconvened in 2008, this strategic planning group brought together over 60 community, governmental and industry leaders to develop a 20-year plan to guide the Agency. The 1994 Upstate Roundtable Plan identified needs of approximately $326.5 million for growth in the Reedy, Saluda and Enoree basins. In fiscal year 2013, all projects that were identified in this plan were completed. The 2008 Upstate Roundtable Plan identified numerous projects which have been incorporated into the Agency's capital improvement program ("CIP").

(Continued)

Capital Assets, continued

Capital improvement program, continued

The Agency maintains a fluid five-year CIP that merges the Agency's strategic plan with the ongoing objective of maintaining compliance with South Carolina Department of Health & Environmental Control regulations and National Pollutant Discharge Elimination System permit limitations. The CIP calls for multiple replacement and improvement projects at the Agency's WRRF and numerous conveyance system projects including a 1.5 mile gravity sewer tunnel located approximately 100 feet below ground.

Capital improvement projects

Short year 2016 capital projects focused on various conveyance system improvements and facility upgrade projects. During short year 2016, $11.5 million was injected to improve the Agency's conveyance system; these projects encompassed collection lines, as well as pump stations. Additionally, $6.3 million was invested in multiple facility improvement projects spanning all three river basins.

Table A-4 illustrates the Agency's 2017 Capital Budget of $64.3 million for potential spending on facility enhancements, design and construction of a new laboratory building, basin plans and conveyance system improvements. The Agency believes the budget requirement for the upcoming fiscal year will be funded through a combination of reserves, bonds and South Carolina revolving loan funds.

Table A-4
Fiscal Year 2017 Capital Budget (in millions)

FUNDING SOURCES		
South Carolina revolving loan fund	$	15.9
Reserves and bonds		48.4
Total funding sources	$	64.3
USES		
Water resource recovery facilities	$	14.3
Conveyance system		27.1
Sustainability and reuse		2.5
Other projects		20.4
Total uses	$	64.3

Long-Term Liabilities

At December 31, 2016, the total liability for compensated absences was \$0.7 million.

The total obligation for other postemployment benefits increased \$0.4 million in short year 2016 to \$5.2 million.

The Agency's net pension liability totaled \$26.7 million at December 31, 2016.

Long-term debt for the Agency consists of outstanding balances on revenue bonds and state revolving loans with the South Carolina Water Quality Revolving Fund Authority.

Revenue bonds

As of December 31, 2016, revenue bond debt, including premiums, totaled \$190.0 million; the long-term portion of which was \$170.7 million. At the end of short year 2016, the Agency's revenue bond debt consisted of six series of revenue and refunding revenue bonds: Series 2005B, Series 2009, Series 2010A, Series 2010B, Series 2012 and Series 2015A.

The Agency received bond premiums of \$7.6 million, \$6.1 million and \$11.4 million on the Series 2005B, Series 2010A and Series 2012 revenue bonds, respectively. The bond premiums are amortized over the life of the bonds. The Series 2005B and Series 2009 bonds are payable from gross revenues and collectively referred to as the Senior Lien Debt. The Series 2010A, Series 2010B, Series 2012 and Series 2015A bonds were issued under the 2010 Bond Resolution and are on parity with all of the Agency's state revolving loans. These obligations are collectively referred to as the Junior Lien Debt and are subordinate in all aspects to the Senior Lien Debt.

The Series 2005B revenue bonds carry 'Aa2' and 'AA+' ratings from Moody's Investors Service and Standard & Poor's, respectively. The Series 2005B ratings were enhanced through the purchase of a surety agreement at issuance and carry the rating of the surety provider or the underlying rating of the Agency, whichever is higher. The Series 2009, Series 2010A, Series 2010B, Series 2012 and Series 2015A bonds were issued based on the Agency's underlying rating. In fiscal year 2015, Standard & Poor's raised the Agency's Senior Lien Debt rating to 'AA+' and simultaneously affirmed its 'AA' rating to the Agency's Junior Lien Debt. Also in fiscal year 2015, Moody's Investors Service affirmed its 'Aa2' rating on the Agency's Senior Lien Debt, affirmed its 'Aa3' rating on the Agency's Junior Lien Debt.

State revolving loans

Since December 1989, the Agency has entered into numerous loan agreements with the South Carolina Water Quality Revolving Fund Authority for new construction and/or upgrades. Interest rates on these loans range from 1.8% to 2.3%. State revolving loans outstanding as of December 31, 2016 totaled \$35.7 million.

(Continued)

Long-Term Liabilities, continued

State revolving loans, continued

Listed below are the Agency's state revolving loans outstanding at December 31, 2016:

- June 2005 — Lower Reedy WRRF Expansion Phase II
- November 2006 — Durbin Creek WRRF Upgrade and Expansion
- December 2009 — Gravity Sewer and Manhole Rehabilitation Phase I
- December 2009 — Gravity Sewer and Manhole Rehabilitation Phase II
- March 2016 — FY15/16 Gravity Sewer and Manhole Rehabilitation

Construction has been completed and all funds received for the following projects:

- Lower Reedy WRRF Expansion Phase II
- Durbin Creek WRRF Upgrade and Expansion
- Gravity Sewer and Manhole Rehabilitation Phase I
- Gravity Sewer and Manhole Rehabilitation Phase II

Total outstanding long-term debt

At December 31, 2016, the Agency owed $215.4 million (excluding premiums) in total long-term debt, an increase of $0.3 million or 0.1% from $215.1 million at the end of fiscal year 2016.

The Agency's bond covenants require net earnings (as defined in respective loan agreements) to be at least 110% of the combined annual principal and interest requirement (as defined in the respective loan agreements) in the fiscal year. The Agency has not defaulted in the payment of principal or interest or in any other material way with respect to any of its securities at any time, nor has the Agency used the proceeds of any bonds for current operating expenses at any time, nor does the Agency intend to use the proceeds of any bonds for any such purposes. Based on the Agency's accompanying financial statements, the debt coverage ratio is calculated in Table A-5.

Table A-5
Debt Coverage (in millions)

	2016[1]	FY 2016
Operating revenue	$ 90.6	$ 88.4
Investment revenue, unrestricted	0.8	0.7
Gross revenues	91.4	89.1
Less: operating expenses before depreciation	37.2	33.3
Net revenues available for debt service	$ 54.2	$ 55.8
Debt service	$ 28.2	$ 28.7
Debt coverage	192%	194%

1 - Amounts shown represent January to December 2016 activity.

(Continued)

Long-Term Liabilities, continued

Total outstanding long-term debt, continued

In accordance with the bond resolution, revenues, expenses and debt service shown in the 2016 column are for the twelve month period ended December 31, 2016. During the trailing twelve month period ended December 31, 2016, debt service payments decreased $0.5 million or 1.7 % to $28.2 million. Debt structure on revenue bonds varies year to year causing principal payments to increase and decrease over the life of the bonds.

Table A-6 shows the average coupon/rate by issue.

Table A-6
Average Coupon/Interest Rate

	Balance (without premiums) (in millions)	Average coupon/rate
Series 2005B refunding bonds	$ 41.2	4.0%
Series 2009 revenue bonds	16.8	3.8
Series 2010A refunding bonds	25.5	3.4
Series 2010B revenue bonds	12.9	2.7
Series 2012 refunding bonds	70.0	2.9
Series 2015A refunding bonds	13.3	2.0
State revolving loans	35.7	2.1

More detailed information about the Agency's long-term liabilities is presented in Notes 7, 8 and 9 of the accompanying Notes to the Financial Statements.

Economic Factors

The Agency is moderately impacted by economic trends. The Agency's operating revenues are derived solely from user fees as the Agency does not receive any tax appropriation. The Agency experienced domestic and commercial customer growth of 0.6% during the six month period ended December 31, 2016.

The Agency's customer base is diversified. No single customer represents more than 1.7% of ReWa's operating revenue.

Current economic conditions, such as the above, are considered by the Agency's Commissioners and Management when developing plans and budgets for the upcoming year.

Contacting the Agency's Financial Department

This financial report is designed to provide our users and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for funds received. If you have any questions about this report or need additional financial information, please contact Patricia Dennis, Controller, Renewable Water Resources at 561 Mauldin Road, Greenville, South Carolina 29607, 864-299-4000, or patriciad@re-wa.org.

Basic Financial Statements

Renewable Water Resources
Statement of Net Position
December 31, 2016

Current assets	
Cash and cash equivalents	$ 3,677,997
Restricted cash and cash equivalents	36,355,053
Receivables, net	13,054,432
Investments	8,298,825
Total current assets	61,386,307
Noncurrent assets	
Receivables, net	2,143,595
Investments	41,624,459
Capital assets, net	466,699,720
Prepaid insurance, net	150,561
Total noncurrent assets	510,618,335
Total assets	$ 572,004,642
Deferred outflows of resources	
Defeasance loss, net	$ 8,040,191
Deferred outflows from pension	3,455,020
Total deferred outflows of resources	$ 11,495,211
Current liabilities	
Revenue bonds payable	$ 19,329,660
State revolving loans payable	2,726,799
Accounts payable - operations	522,112
Accounts payable - construction projects	5,445,729
Accrued interest payable	3,554,163
Accrued expenses and other liabilities	866,799
Compensated absences	487,845
Total current liabilities	32,933,107
Long-term liabilities	
Revenue bonds payable	170,722,557
State revolving loans payable	32,972,746
Compensated absences	215,377
Other postemployment benefits	5,235,511
Net pension liability	26,719,467
Total long-term liabilities	235,865,658
Total liabilities	$ 268,798,765
Deferred inflows of resources	
Deferred inflows from pension	$ 313,335
Total deferred inflows of resources	$ 313,335
Net position	
Net investment in capital assets	$ 243,542,420
Net position - restricted	
Debt service	27,725,012
Capital asset replacement	4,666,997
Other	3,963,044
Net position - unrestricted	34,490,280
Total net position	$ 314,387,753

The accompanying notes are an integral part of this financial statement.

Renewable Water Resources
Statement of Revenues, Expenses and Changes in Net Position
For the six month period ended December 31, 2016

Operating revenues	
Domestic and commercial customers	$ 38,209,439
Industrial customers	3,799,379
New account fees	3,576,000
Septic haulers and other	220,123
Total operating revenues	45,804,941
Operating expenses	
Operations	7,741,630
Technical services	1,690,637
Collection system	1,996,055
IS and instrumentation	1,178,248
Human resources	1,365,267
Administrative finance	5,098,648
Total operating expenses before depreciation	19,070,485
Depreciation	13,344,747
Total operating expenses	32,415,232
Net operating revenue	13,389,709
Nonoperating revenues (expenses)	
Investment revenue	97,637
Interest expense	(3,793,386)
Amortization	(13,565)
Non-project expenses	(144,108)
Other revenue	122,608
Net nonoperating expenses	(3,730,814)
Capital project cost reimbursements	8,191
Increase in net position	9,667,086
Total net position, beginning of year	304,720,667
Total net position, end of year	$ 314,387,753

The accompanying notes are an integral part of this financial statement.

Renewable Water Resources
Statement of Cash Flows
For the six month period ended December 31, 2016

Cash flows from operating activities	
Received from customers	$ 45,081,077
Paid to suppliers for goods and services	(10,778,789)
Paid to employees for services	(6,514,958)
Received from nonoperating revenues	122,608
Net cash provided by operating activities	27,909,938
Cash flows from capital and related financing activities	
Cash received on notes receivable for capital	127,693
Acquisition of capital assets and project expenses	(19,725,671)
Proceeds from debt issuance	1,586,233
Principal payments on debt	(1,275,584)
Interest payments on debt	(4,294,077)
Other	24,561
Net cash used for capital and related financing activities	(23,556,845)
Cash flows from investing activities	
Interest received on investments	26,578
Purchases of investment securities	(26,641,629)
Proceeds from sales of investment securities	27,033,913
Net cash provided by investing activities	418,862
Net increase in cash and cash equivalents	4,771,955
Cash and cash equivalents, beginning of year	35,261,095
Cash and cash equivalents, end of year	$ 40,033,050

The accompanying notes are an integral part of this financial statement.

Renewable Water Resources
Statement of Cash Flows, continued
For the six month period ended December 31, 2016

Reconciliation of net operating revenue to net cash flows from operating activities	
Net operating revenue	$ 13,389,709
Adjustments to reconcile net operating revenue to net cash provided by operating activities	
Depreciation	13,344,747
Other nonoperating revenue	122,608
Pension expense recognized in excess of contributions	1,608,757
Changes in asset and liability amounts	
Receivables	(723,864)
Prepaid expenses	26,276
Accounts payable - operations	6,203
Accounts payable - construction projects	(253,061)
Accrued expenses and other liabilities	50,102
Compensated absences	(40,745)
Other postemployment benefits	379,206
Net cash provided by operating activities	$ 27,909,938
Noncash activities	
Decrease in fair value of investments	$ (270,868)
Amortization of prepaid bond insurance	$ 13,565
Capitalized interest costs	$ 184,240
Reconciliation of cash and cash equivalents to statement of net position	
Cash and cash equivalents	$ 3,677,997
Restricted cash and cash equivalents	36,355,053
Total cash and cash equivalents	$ 40,033,050

The accompanying notes are an integral part of this financial statement.

Notes to Financial Statements

Renewable Water Resources
Notes to Financial Statements
For the six month period ended December 31, 2016

Note 1 – Summary of Significant Accounting Policies and Activities

Description of entity

Renewable Water Resources (the "Agency"), previously known as Western Carolina Regional Sewer Authority, is a special purpose district created by the General Assembly of the State of South Carolina. The Agency is governed by a commission consisting of nine members who are appointed by the Governor upon recommendation by the legislative delegations of Greenville, Anderson and Laurens Counties. The Agency provides wastewater treatment services for residents and industries covering substantially all of Greenville County and portions of Anderson, Laurens, Pickens and Spartanburg Counties. In fulfilling its functions, the Agency receives wastewater from the area's collection systems and owns and operates water resource recovery facilities ("WRRF"), pump stations and trunk lines; which are collectively referred to as the "System." It is the Agency's policy to maintain customer user rates sufficient to meet operational and maintenance expenses, as well as to pay debt service on bonds and notes issued to finance upgrading and maintaining the System.

Change in fiscal year end

Effective July 1, 2016, the Agency changed its fiscal year end from June 30 to December 31. The change in fiscal year end was made to align financial and budgeting data with operational and performance data.

Reporting entity

This report includes all operations of the Agency for which the Agency's Commissioners are financially accountable.

Fund accounting

The Agency maintains a single enterprise fund to record its activities which consists of a self-balancing set of accounts. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Basis of accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as recommended by the Governmental Accounting Standards Board ("GASB"). Basis of accounting refers to the timing of recognition of revenues and expenses. Under the accrual basis of accounting, revenues and receivables are recognized when earned and expenses and liabilities are recognized when incurred, regardless of the timing of related cash flows.

Budgetary practices

Annual budgets are prepared by management as a control device and adopted in accordance by South Carolina Code of Laws Section 6-1-80.

(Continued)

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Cash and cash equivalents

For purposes of reporting cash flows, the Agency considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments reported at fair value are categorized within the fair value hierarchy established under accounting principles generally accepted in the United States of America ("GAAP"). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Gains or losses that result from market fluctuation are reported in the current period. As of December 31, 2016, all of the Agency's investments are valued using significant other observable inputs (Level 2 inputs).

Restricted assets

Any unexpended bond proceeds issued by the Agency are classified as restricted assets because their use is restricted to the purpose for which the bonds were originally issued. Additionally, certain resources set aside for repayment of debt are classified as restricted assets because their use is limited by applicable bond covenants. Cash and cash equivalents and investments included in the Agency's debt service and debt service reserve accounts are classified as restricted because their use is restricted for security and debt service of the outstanding debt. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Capital assets

Capital assets are stated at historical cost. The Agency capitalizes purchases of assets greater than $5,000. Donated capital assets are recorded at estimated fair value at the date of donation. Depreciation of capital assets is calculated on or using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings, trunk lines and WRRF equipment	15 – 40 years
Office furniture and operational equipment	5 – 8 years
Vehicles	3 years

Intangible assets consisting of rights-of-way are recorded as capital assets at cost and considered to have an indefinite useful life, therefore, they are not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset is evaluated for impairment because a change in the expected duration of use of the asset has occurred. The carrying value of the intangible asset, if any, following the recognition of any impairment loss is amortized over the remaining estimated useful life of the asset.

(Continued)

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Capital assets, continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

The cost of fully depreciated assets and the related accumulated depreciation amounts are eliminated from the accounts whether the assets are retired or continue in service.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The Agency has granted a statutory lien on the System to secure its revenue bonds and state revolving loans.

Net position

Net position is classified into three components: net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted** - This component of net position consists of constraints placed on an assets' use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted** - This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Long-term obligations

Long-term debt and other obligations financed by the Agency are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using methods which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

(Continued)

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element, *deferred outflows of resources,* represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Agency's deferred loss on refunding, as well as deferred pension experience and contributions qualify for reporting in this category. A deferred loss on refunding results from the difference in carrying value of the refunded debt and reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Changes in the total pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors are recognized as deferred outflows/inflows of resources related to pension and included in the pension expense over a period to the average expected remaining service lives of all employees that are provided with benefits through the plan. Additionally, contributions to the pension plan made after the plan's measurement date are reported as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial element, *deferred inflows of resources*, represents the acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency's deferred inflows from pension consist of differences between projected and actual experience.

Compensated absences

Vested vacation leave is recorded as an expense and liability as the benefits accrue to employees.

Revenues and receivables

- **Domestic and commercial customers** - Revenues and receivables, based on water consumption, are recognized when services are provided.

- **Industrial customers** - Revenues and receivables, based on metered effluent and surcharges, are recognized when services are provided.

- **Allowance for uncollectible accounts** - An allowance for uncollectible accounts is estimated based on historic bad debt levels, plus an amount for any specific doubtful accounts.

(Continued)

Note 1 – Summary of Significant Accounting Policies and Activities, continued

Operating revenues and expenses

Operating revenues and expenses generally result from providing services in connection with the Agency's principal ongoing operations. The principal operating revenues of the Agency are charges to customers for wastewater treatment services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

Preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the Agency's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

New pronouncements

The Agency has implemented the following GASB pronouncements during the short year 2016:

GASB Statement No. 72, *Fair Value Measurement and Application,* effective for periods beginning after June 15, 2015, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement does not have a material impact on the Agency's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for periods beginning after June 15, 2015, reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. This Statement does not have a material impact on the Agency's financial statements.

(Continued)

Note 1 – Summary of Significant Accounting Policies and Activities, continued

New pronouncements, continued

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No.67, No. 68, and No. 73,* effective for periods beginning after June 15, 2016, addresses certain issues that have been raised with respect to the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Among other items, this Statement defines covered payroll, as reported in the required supplementary information, as the payroll on which contributions to a pension plan are based. This Statement does not have a material impact on the Agency's financial statements.

The GASB has issued several statements which have not yet been implemented by the Agency. The following statement may have a future impact on the Agency:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Among other things, GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the other postemployment benefits ("OPEB") that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities.

Note 2 – Cash and Cash Equivalents and Investments

As of December 31, 2016, the Agency had the following cash and cash equivalents and investments:

Cash and cash equivalents	
Checking and other cash	$ 12,308,038
Money markets - government obligations	27,725,012
Total cash and cash equivalents	$ 40,033,050
Investments	
Government sponsored enterprises	$ 23,355,285
Certificates of deposit	17,309,707
US Treasury notes	5,255,225
SC investment pool	4,003,067
Total investments	$ 49,923,284

(Continued)

Renewable Water Resources
Notes to Financial Statements
For the six month period ended December 31, 2016

Note 2 – Cash and Cash Equivalents and Investments, continued

Investment maturities are as follows as of December 31, 2016:

		Investment maturities (in years)		
Investment type	**Fair value**	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Certificates of deposit	$ 17,309,707	$ 995,011	$ 16,314,696	$ -
SC investment pool	4,003,067	4,003,067	-	-
US agencies notes and bonds				
Federal Home Loan Bank	4,228,778	-	4,228,778	-
Federal National Mortgage Association	3,640,931	800,740	2,840,191	-
Federal Home Loan Mortgage	8,815,992	500,164	8,315,828	-
Federal Farm Credit Bank	6,669,584	-	6,669,584	-
US Treasury notes	5,255,225	1,999,843	3,255,382	-
Total	$ 49,923,284	$ 8,298,825	$ 41,624,459	$ -

Interest rate risk

The Agency's investment policy requires structuring investment maturities and investment options to manage its exposure to fair value losses arising from increasing interest rates.

Credit risk

State law limits investments to obligations of the United States and agencies thereof, general obligations of the State of South Carolina or any of its political units, financial institutions to the extent that the same are secured by Federal Deposit Insurance, and certificates of deposit where the certificates are collaterally secured by securities of the type described above are held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest.

The Agency's investment policy follows state law and requires, at the time of investment, the obligor to have an unsecured credit rating in one of the top two categories. In addition, state law authorizes the Agency to invest in the South Carolina Local Government Investment Pool ("SC Investment Pool"). The SC Investment Pool was created by state legislation which restricts the types of securities the pool can purchase. Specifically, the pool is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States, if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SC Investment Pool is a 2a7-like pool, which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the investment Company Act of 1940. The SC Investment Pool is not rated. The total fair value of the pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at $1.00. The SC Investment Pool does not contain any restrictive redemption limitations. Funds may be deposited at any time and may be withdrawn upon 24 hours' notice. Financial statements for the SC Investment Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

(Continued)

Note 2 – Cash and Cash Equivalents and Investments, continued

Credit risk, continued

The Agency's investments at December 31, 2016 consist of SC Investment Pool shares, certificates of deposit, US Treasury notes and US agencies notes and bonds. The US Treasury notes and US agency notes and bonds were rated AA+ by Standard & Poor's and/or Aaa by Moody's Investors Service as of December 31, 2016.

Concentration of credit risk

In accordance with the Agency's investment policy, all investments must be allowable under the current State law. As a result, more than 5.0% of the Agency's investments are in Government sponsored enterprises due to the limited type of investment instruments available under current State law. These investments are approximately 46.8% of the Agency's total investments at December 31, 2016.

Custodial credit risk deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of December 31, 2016, all of the Agency's deposits were insured or collateralized using one of two methods. Under the dedicated method, all uninsured deposits are collateralized with securities held by the Agency's agents in the Agency's name. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agents in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Agency, these deposits are considered to be held by the Agency's agents in the Agency's name.

Note 3 – Receivables

Customer and other accounts receivables as of December 31, 2016 were as follows:

Fees and services	
Domestic and commercial customers	$ 11,933,254
Industrial customers	1,241,299
Total receivables from fees	13,174,553
Less: allowance for uncollectible accounts	550,000
Net receivables from fees	12,624,553
Accrued interest on cash equivalents and other receivables	166,892
Reimbursements due from other governmental units	2,406,582
Total receivables	15,198,027
Less: current receivables, net	13,054,432
Noncurrent receivables, net	$ 2,143,595

Renewable Water Resources
Notes to Financial Statements
For the six month period ended December 31, 2016

Note 4 – Restricted Cash and Cash Equivalents and Investments

Provisions of the revenue bond and state revolving loan covenants require the Agency to establish funds and restrict the use of certain cash and cash equivalents and investments. A brief description of such funds follows:

- **Capital projects** - restricts the use of revenue bond, state revolving loan, real property sales proceeds, and interest earnings on such proceeds, to the construction of capital projects.
- **Current principal and interest payments** - restricts resources accumulated for the next principal and interest payments.
- **Debt service reserves** - restricts resources to cover potential future deficiencies in the current principal and interest payments account.
- **Operations and maintenance** - restricts resources to cover operating and maintenance expenses for one month.
- **Capital asset replacement -** restricts resources to fund asset replacements.
- **Contingencies** - restricts resources to meet unexpected contingencies.

Restricted cash and cash equivalents and investments at December 31, 2016 are restricted for the following uses:

Current principal and interest payments	$ 19,997,696
Debt service reserves	7,727,316
Operations and maintenance	2,963,044
Capital asset replacement	4,666,997
Contingencies	1,000,000
Total restricted assets	$ 36,355,053

Restricted assets consisted of cash at December 31, 2016.

Note 5 – Capital Assets

A summary of changes in capital assets from June 30, 2016 to December 31, 2016 follows below:

	June 30	Additions	Disposals	December 31
Capital assets not being depreciated				
Construction in progress	$ 16,863,957	$ 10,078,533	$ 5,662,099	$ 21,280,391
Land	3,550,494	21,278	-	3,571,772
Rights-of-way	325,751	168,720	-	494,471
Total capital assets not being depreciated	20,740,202	10,268,531	5,662,099	25,346,634
Capital assets being depreciated				
Buildings	350,823,691	6,544,017	-	357,367,708
Trunk lines	335,076,427	5,816,903	-	340,893,330
WRRF equipment	80,399,621	2,181,339	-	82,580,960
Operational equipment	6,806,236	538,709	67,660	7,277,285
Office furniture	392,120	78,403	38,935	431,588
Vehicles	939,329	-	197,504	741,825
Total capital assets being depreciated	774,437,424	15,159,371	304,099	789,292,696
Less: accumulated depreciation				
Buildings	156,215,535	5,897,320	-	162,112,855
Trunk lines	124,633,254	4,220,695	-	128,853,949
WRRF equipment	51,414,104	2,752,700	-	54,166,804
Operational equipment	1,978,808	311,052	51,290	2,238,570
Office furniture	180,296	39,342	38,935	180,703
Vehicles	460,595	123,638	197,504	386,729
Total accumulated depreciation	334,882,592	13,344,747	287,729	347,939,610
Total capital assets being depreciated, net	439,554,832	1,814,624	16,370	441,353,086
Capital assets, net	$ 460,295,034	$ 12,083,155	$ 5,678,469	$ 466,699,720

Interest cost in 2016 totaled $4,317,734, of which $184,240 were capitalized.

Note 6 – Defeasance Loss

The Agency previously defeased outstanding debt through the issuance of new debt with the proceeds deposited in an irrevocable trust to provide for all debt service payments of the old debt. Thus, the defeased debt and the irrevocable trust are not part of the financial statements. Outstanding principal amounts of defeased bonds totaled $11,535,000 at December 31, 2016.

When a difference exists between the reacquisition price and the net carrying amount of the old debt, a deferred loss or gain is recorded and classified in the respective deferred outflow or inflow of resources on the Statement of Net Position. This amount is amortized as a component of interest expense over the remaining life of the old debt or new debt, whichever is shorter. As of December 31, 2016, the Agency's defeasance loss, net was $8,040,191.

Amortization of the defeasance loss for the period ended December 31, 2016 totaled $524,193.

Estimated future amortization expense is as follows:

Year ending December 31	Amortization expense
2017	$ 1,048,385
2018	1,048,385
2019	1,048,385
2020	1,044,119
2021	982,652
Thereafter	2,868,265
Total	$ 8,040,191

Note 7 – Revenue Bonds Payable

At December 31, 2016, the Agency was obligated on various series of revenue bonds issued for purposes of constructing capital assets. Revenue bonds outstanding at December 31, 2016 are as follows:

$69,695,000 Series 2005B refunding revenue bonds dated March 15, 2005, with interest at 2.6 to 5.1% payable semi-annually beginning September 1, 2005. Beginning March 1, 2012, annual principal payments ranging from $5,180,000 to $9,400,000 plus semi-annual payments of interest at 2.6 to 5.1% are payable through March 2021.	$ 41,180,000
$30,000,000 Series 2009 revenue bonds dated April 29, 2009, with annual principal payments ranging from $1,520,000 to $5,000,000 plus interest at 3.8% payable semi-annually through March 2024.	16,780,000
$63,630,000 Series 2010A refunding revenue bonds dated July 9, 2010, with interest at 3.0 to 5.0% payable semi-annually beginning January 1, 2011. Beginning January 1, 2011, annual principal payments ranging from $1,665,000 to $5,585,000 plus semi-annual payments of interest at 3.0 to 5.0% are payable through January 2021.	25,555,000
$26,800,000 Series 2010B revenue bonds dated December 7, 2010, with interest at 2.0 to 5.8% payable semi-annually beginning July 1, 2011. Beginning January 1, 2012, annual principal payments ranging from $225,000 to $3,080,000 plus semi-annual payments of interest at 2.0 to 5.8%	12,910,000
$71,395,000 Series 2012 refunding revenue bonds dated March 20, 2012, with interest at 2.0 to 5.0% payable semi-annually beginning July 1, 2012. Beginning January 1, 2014, annual principal payments ranging from $270,000 to $17,325,000 plus semi-annual payments of interest at 2.0 to 5.0% are payable through January 2025.	70,035,000
$13,465,000 Series 2015A refunding revenue bonds dated October 7, 2015, with annual principal payments ranging from $181,000 to $1,649,000 plus interest at 2.0% payable semi-annually through January 2025.	13,284,000
Total revenue bonds payable	179,744,000
Premium on refunding bonds	10,308,217
Less: current maturities	19,329,660
Long-term portion	$ 170,722,557

(Continued)

Renewable Water Resources
Notes to Financial Statements
For the six month period ended December 31, 2016

Note 7 – Revenue Bonds Payable, continued

Amortization of bond premiums totaled $901,536 for the period ended December 31, 2016.

Future amounts required to pay principal and interest on revenue bonds outstanding at December 31, 2016 are as follows:

Year ending December 31	Principal	Interest	Total
2017	$ 17,533,000	$ 7,433,125	$ 24,966,125
2018	18,328,000	6,656,335	24,984,335
2019	19,068,000	5,806,404	24,874,404
2020	19,698,000	4,901,088	24,599,088
2021	20,498,000	3,948,541	24,446,541
2022 - 2025	84,619,000	7,600,208	92,219,208
Total	$ 179,744,000	$ 36,345,701	$ 216,089,701

Provisions of the revenue bond agreements require the Agency to maintain user rates sufficient to generate net earnings as defined by the bond agreement of at least 110% of the combined annual principal and interest payments, make timely payment of principal and interest on all outstanding debt, maintain required funds for debt service reserves, operations and maintenance expenses, capital asset replacement and contingencies and meet various other general requirements specified in the bond agreements. Management believes the Agency was in compliance with these covenants at December 31, 2016.

The Series 2005B and Series 2009 bonds are payable solely from and secured by a pledge of the gross revenues of the Agency.

The Series 2010A, Series 2010B, Series 2012 and Series 2015A bonds are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution, which is subordinate to the aforementioned Series 2005B and Series 2009 pledge.

Interest expense on the revenue bonds totaled $3,766,861 for the period ended December 31, 2016.

Interest paid on the debt issued by the Agency is exempt from federal income tax. The Agency sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. At December 31, 2016, the Agency had no arbitrage rebate liability.

Note 8 – State Revolving Loans Payable

At December 31, 2016, the Agency was obligated on various state revolving loans issued for purposes of constructing capital assets. State revolving loan amounts outstanding at December 31, 2016, are as follows:

$19,571,443 Lower Reedy Water Resource Recovery Facility Expansion Phase II loan dated June 10, 2005. Payable in quarterly installments of $312,731, including interest at 2.3%, through March 2027.	$ 11,422,290
$27,800,000 Durbin Creek Water Resource Recovery Facility Upgrade and Expansion loan dated November 14, 2006. Payable in quarterly installments of $438,048, including interest at 2.3%, through March 2029.	18,714,646
$2,850,550 Gravity Sewer and Manhole Rehabilitation Phase I loan dated December 9, 2009. Payable in quarterly installments of $42,187 including interest at 1.8%, through November 2030.	2,087,335
$2,509,938 Gravity Sewer and Manhole Rehabilitation Phase II loan dated December 9, 2009. Payable in quarterly installments of $38,755 including interest at 2.2%, through January 2031.	1,889,041
$5,252,207 FY15/16 Gravity Sewer and Manhole Rehabilitation loan dated March 25, 2016. Payable in quarterly installments of $56,740 including interest at 1.8% through November 2046.	1,586,233
Total state revolving loans payable	35,699,545
Less: current maturities	2,726,799
Long-term portion	$ 32,972,746

Interest expense on the state revolving loans totaled $403,868 for the period ended December 31, 2016.

(Continued)

Note 8 – State Revolving Loans Payable, continued

Future amounts required to pay outstanding principal and interest on state revolving loans outstanding at December 31, 2016 are as follows:

Year ending December 31	Principal	Interest	Total
2017	$ 2,726,799	$ 827,043	$ 3,553,842
2018	2,786,743	767,099	3,553,842
2019	2,848,092	705,751	3,553,843
2020	2,910,878	642,965	3,553,843
2021	2,975,137	578,706	3,553,843
2022 - 2026	15,893,623	1,875,590	17,769,213
2027 - 2031	6,246,539	477,251	6,723,790
2032 - 2036	904,889	229,918	1,134,807
2037 - 2041	989,907	144,900	1,134,807
2042 - 2046	1,082,912	51,895	1,134,807
Subtotal	39,365,519	6,301,118	45,666,637
Less: Undrawn proceeds	3,665,974	1,086,511	4,752,485
Total	$ 35,699,545	$ 5,214,607	$ 40,914,152

Provisions of the state revolving loan agreements require the Agency to use loan proceeds solely for the purpose of paying eligible project costs, submit the annual audit of its financial statements by June 30, maintain user rates sufficient to make timely payment of principal and interest on all outstanding debt, maintain required funds for current principal and interest payments, operations and maintenance expenses, capital asset replacement and contingencies, review the adequacy of its user rates at least annually, and meet various other general requirements specified in the loan agreements. Management believes the Agency was in compliance with these covenants at December 31, 2016.

The state revolving loans are on parity with the bonds issued under the 2010 Bond Resolution which is subordinate to the Series 2005B and Series 2009 pledge. The state revolving loans are secured by a pledge of the gross revenues, net of operations and maintenance expenses, as defined in the 2010 Bond Resolution.

The undrawn proceeds at December 31, 2016 relate to the FY15/16 Gravity Sewer and Manhole Rehabilitation loan. As described in subsequent events, an additional draw request on the FY15/16 Gravity Sewer and Manhole Rehabilitation loan was submitted after December 31, 2016.

Note 9 – Changes in Long-Term Liabilities

Changes in long-term debt, compensated absences, OPEB and net pension liability at June 30, 2016 to December 31, 2016 are as follows:

	June 30	Additions	Reductions	December 31	Due within one year
Revenue bonds	$179,744,000	$ -	$ -	$179,744,000	$ 17,533,000
State revolving loans	35,388,896	1,586,233	1,275,584	35,699,545	2,726,799
Compensated absences	743,967	442,270	483,015	703,222	487,845
OPEB	4,856,305	597,974	218,768	5,235,511	-
Net pension liability	23,423,698	5,255,138	1,959,369	26,719,467	-
Subtotal	244,156,866	7,881,615	3,936,736	248,101,745	20,747,644
Premiums on bond issuance	11,209,753	-	901,536	10,308,217	1,796,660
Total	$255,366,619	$ 7,881,615	$ 4,838,272	$258,409,962	$ 22,544,304

Renewable Water Resources
Notes to Financial Statements
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Note 10 – Construction Contracts in Progress

At December 31, 2016, the Agency had commitments for various projects for the construction and acquisition of property and equipment. Construction in progress is included in capital assets along with land, buildings, trunk lines and WRRF equipment.

The following summarizes construction contracts in progress at December 31, 2016 on which significant additional work is to be performed:

Project name	Contract amount	Total contract incurred	Balance to be performed
Bates Road PS Upgrade	$ 1,029,950	$ 137,157	892,793
Burger King PS Elimination	209,725	62,212	147,513
Downtown Conveyance	3,690,554	1,840,202	1,850,352
Durbin Creek Solids Management Study	2,351,000	167,936	2,183,064
Enoree Circle PS Improvements	803,461	625,291	178,170
Force Main Assessment	1,114,525	933,594	180,931
FY15/FY16 Gravity Sewer and MH Rehabilitation	5,014,603	3,268,408	1,746,195
FY17 Point Repairs	155,539	7,759	147,780
Georges Creek Process Control System Upgrade	815,326	677,753	137,573
Gilder Creek Lime Silo Replacement	1,477,650	444,616	1,033,034
Grove Creek & Piedmont WRRF Closures	2,651,367	2,531,208	120,159
Laboratory Improvements	1,578,914	1,031,423	547,491
Lakeside PS Magnesium Hydroxide System	650,925	527,742	123,183
Lower Reedy Lime Silo	1,352,599	1,215,344	137,255
Lower Reedy Standby Power Project	3,320,632	1,451,751	1,868,881
Lower Reedy Digester Improvements	147,720	37,997	109,723
Mauldin Road & Lower Reedy Process Control System	500,358	126,255	374,103
Mauldin Road FOG Handling Enhancements	582,074	468,060	114,014
Mauldin Road IPS Harmonic Analysis	660,283	107,941	552,342
Mauldin Road Shop Building Addition	229,187	76,295	152,892
Mauldin Road West Side Abandonment	957,923	15,448	942,475
Old IPS Roof Replacement	426,500	228,574	197,926
Pelham & Gilder Digester Replacements	458,648	-	458,648
Peters Creek Gravity Sewer	376,100	92,162	283,938
Ravenwood PS Upgrade	273,690	130,589	143,101
Richland Creek Sewer Improvements	13,325,159	3,466,040	9,859,119
Rock Creek Interceptor Upgrade	393,610	-	393,610
Simpsonville B PS Elimination	185,090	79,462	105,628
Taylors FM	2,015,605	1,694,493	321,112
Travelers Rest North Regional PS	296,480	131,704	164,776
Total	$47,045,197	$21,577,416	$25,467,781

Note 11 – Compensated Absences

Full-time employees of the Agency accumulate vacation benefits at 1 to 2 days per month, based on length of service, up to 24 days per year. Annual leave in excess of 24 days at December 31st of each year is forfeited. Annual leave earned up to 24 days is paid to employees upon separation from employment. Accrued vacation benefits totaled $703,222 at December 31, 2016.

Note 12 – Employee Benefits

Pension plan

Plan description

Substantially all of the Agency's employees are members of the South Carolina Retirement System (the "SCRS"), a cost-sharing multiple-employer defined benefit pension plan administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The SCRS was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts and political subdivisions. Generally, all employees are required to participate in and contribute to the system. Employees with an effective membership date prior to July 1, 2012, are considered a Class Two member, whereas, employees with an effective membership date on or after July 1, 2012, are considered a Class Three member. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required information for the South Carolina Retirement Systems' Pension Trust Funds. The report is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service and average final compensation. A brief summary of the benefit terms for SCRS is presented below.

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members who participate in the death benefit program.

Note 12 – Employee Benefits, continued

Pension plan, continued

Benefits, continued

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1.0% or $500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase employer and employee contribution rates based on the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than 0.5% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; and, this increase is not limited to 0.5% per year.

Plan members are required to contribute 8.66% of their annual covered salary for the period ended December 31, 2016, and the Agency is required to contribute at an actuarially determined rate. The Agency's rate is 11.41% of annual covered payroll for the period ended December 31, 2016 and an additional 0.15% of payroll is contributed to a group life insurance benefit for the participants for the period ended December 31, 2016.

All required contributions for the six month period ending December 31, 2016 were made and are summarized as follows:

Short year ended December 31	Employer SCRS	Employee SCRS
2016	$ 709,222	$ 530,695

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Net pension liability

At December 31, 2016, the Agency reported a liability of $26,719,467, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, based on the July 1, 2015 actuarial valuation, as adopted by the PEBA Board and State Fiscal Accountability Authority which utilized membership data as of July 1, 2015. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. The Agency's proportion of the net pension liability was based on the Agency's normal contributions. At the June 30, 2016 measurement date, the Agency's proportionate share was 0.125092%.

For the period ended December 31, 2016, the Agency recognized pension expense of $2,318,413, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 276,979	$ 29,017
Net difference between projected and actual earnings on pension plan investments	2,247,966	-
Changes in proportion and differences between Agency's contributions and proportionate share of contributions	220,853	284,318
Agency contributions subsequent to the measurement date	709,222	-
Total	$ 3,455,020	$ 313,335

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Net pension liability, continued

At December 31, 2016, the Agency reported $709,222 as deferred outflows of resources related to pensions resulting from the Agency's contributions subsequent to the measurement dates and will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31	Pension expense
2017	$ (559,104)
2018	(414,326)
2019	(945,318)
2020	(513,715)
Total	$ (2,432,463)

Actuarial assumptions

Measurement of the total net pension liability requires the use of assumptions about numerous future events that affect the benefit payments that will be made to employees in retirement. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015. The following provides a brief description of the significant actuarial assumptions applied to all periods included in the measurements.

Cost method	Entry age normal
Investment rate of return	7.5%
Salary increases	3.5% to 12.5% (varies by service)
Inflation	2.75%
Benefit adjustments	lesser of 1.0% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

(Continued)

Note 12 – Employee Benefits, continued

Pension plan, continued

Actuarial assumptions, continued

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, for actuarial purposes is based upon the 30-year capital market outlook at the end of the third quarter 2015. The actuarial long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected investment returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. For actuarial purposes, the 7.5% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

Asset class	Target allocation	Expected arithmetic real rate of return	Long-term expected portfolio real rate of return
Global equity - global public equity	34.00%	6.52%	2.22%
Global equity - private equity	9.00	9.30	0.84
Real assets - real estate	5.00	4.32	0.22
Real assets - commodities	3.00	4.53	0.13
Opportunistic - GTAA/Risk Parity	10.00	3.90	0.39
Opportunistic - HF (low beta)	10.00	3.87	0.39
Diversified credit - mixed credit	5.00	3.52	0.17
Diversified credit - emerging markets	5.00	4.91	0.25
Diversified credit - private debt	7.00	4.47	0.31
Conservative fixed income - core	10.00	1.72	0.17
Conservative fixed income - short term	2.00	0.71	0.01
Total	100.00%		5.10%
Inflation			2.75
Expected arithmetic nominal return			7.85%

(Continued)

Renewable Water Resources
Notes to Financial Statements
For the six month period ended December 31, 2016

Note 12 – Employee Benefits, continued

Pension plan, continued

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

1.0% Decrease 6.5%	Current discount rate 7.5%	1.0% Increase 8.5%
$ 33,331,803	$ 26,719,467	$ 21,214,946

Pension plan fiduciary net position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

Deferred compensation plan

The Agency offers its employees multiple deferred compensation plans, created in accordance with Internal Revenue Code Sections 401(k) and 457, which are administered and controlled by the state of South Carolina. The plans, available to all the Agency employees, permit employees to defer a portion of their salary until future years. Participation in the plans is optional. Certain employees of the Agency have elected to participate. Compensation deferred under the plans is placed in trust for the contributing employee. Great-West Retirement Services is the program administrator of the plans based on the current state contract.

Note 13 – Postemployment Healthcare Plan

The Agency maintains a single-employer defined benefit plan (the "Plan") to provide certain postretirement healthcare benefits to all former regular full time employees. Healthcare coverage levels for retirees are the same as coverage provided to regular active full time employees in accordance with the terms and conditions of the South Carolina State Health Plan. The Agency contributes up to 79.3% of the monthly premium for retirees and covered dependents based on the selected healthcare plan. The amount contributed by the Agency is determined by the PEBA. This amount is based on the level of coverage selected by the retiree not the plan selected. The Agency is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the Agency's commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

The Agency contributes the following per retiree per month based on the level of coverage selected and not the plan selected by the retiree:

	July 2016 to December 2016
Retiree only	$ 412
Retiree/spouse	817
Retiree/child(ren)	633
Family	1,023

For the six month period ended December 31, 2016, Plan members receiving benefits paid $118,250 which was used to offset the Agency's cash outlays to insurance carriers equaling $340,479 for the short year premiums. The net outlay from the Agency, which totaled $222,229, represents the Agency's net cost paid for current year premiums due. The Plan is financed on a pay-as-you-go basis.

The Agency's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the Agency, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

(Continued)

Note 13 – Postemployment Healthcare Plan, continued

The following table shows the components of the Agency's annual OPEB cost for the period from July 1, 2016 to December 31, 2016, the amount actually contributed to the Plan and changes in the Agency's net OPEB obligation to the Plan:

	December 31
Annual required contribution	$ 589,942
Interest on net OPEB obligation	109,267
Adjustment to annual required contribution	(101,235)
Annual OPEB cost (expense)	597,974
Contributions made*	(218,768)
Increase in net OPEB obligation	379,206
Net OPEB obligation, beginning of year	4,856,305
Net OPEB obligation, end of year	$ 5,235,511

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the period from July 1, 2016 to December 31, 2016 and the previous two fiscal years ended June 30 were as follows:

Fiscal year ended	Annual required contribution	Annual OPEB cost	Employer amount contributed*	Percentage contributed	Net OPEB obligation
December 31, 2016	$ 589,942	$ 597,974	$ 218,768	36.6%	$ 5,235,511
June 30, 2016	1,145,519	1,159,046	392,173	33.8%	4,856,305
June 30, 2015	1,144,950	1,155,843	359,502	31.1%	4,089,432

*includes adjustment for implicit rate subsidy.

As of June 30, 2014, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was $12,325,758, resulting in an unfunded actuarial accrued liability ("UAAL") of $12,325,758. The covered payroll, which is the trailing twelve months ended December 31, 2016 payroll of active employees covered by the Plan, was $12,203,162, and the ratio of the UAAL to the covered payroll was 101.0%. Covered payroll for the period from July 1, 2016 to December 31, 2016 was $6,124,376.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, because the Agency maintains no Plan assets, information relative to Plan asset required disclosure is not applicable.

(Continued)

Note 13 – Postemployment Healthcare Plan, continued

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the Agency's retiree healthcare plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the Plan as understood by the Agency and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Agency and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Investment rate of return	4.5% of annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	Open 30-year period
Payroll growth	3.0% per annum
Inflation	3.0% per annum
Medical trend	Initial rate of 6.0% declining to an ultimate rate of 4.5% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the ARC of the Agency's retiree healthcare plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 14 – Commitments

The Agency has contracted with eight local water utilities which have common customers to provide billing and collection functions. The most significant is with the Commissioners of the Public Works of the City of Greenville, South Carolina. The fee charged is subject to adjustment annually based upon experience. The cost to the Agency for the six month period ended December 31, 2016 was $1.0 million, which is included in administrative finance expenses on the accompanying Statement of Revenues, Expenses and Changes in Net Position. For the year ending December 31, 2017, billing charges to the Agency are estimated to cost approximately $2.4 million.

Note 15 – Contingencies

The Agency is from time-to-time subject to various claims, legal actions and other matters arising out of the normal conduct of the Agency's operations. In particular, the Agency is regularly involved in lawsuits related to acquiring rights-of-way for its use, which requires a determination of amounts of just compensation to be paid to the owners. Based on prior experience and available information, the Agency does not anticipate any lawsuits to be material to the basic financial statements.

Renewable Water Resources
Notes to Financial Statements
For the six month period ended December 31, 2016

Note 16 – Risk Management

The Agency is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency maintains insurance coverage through the State of South Carolina, and manages risk through various employee education and prevention programs. No significant reductions in insurance coverage have occurred from the prior year to the current year. The amount of settlements has not exceeded insurance coverage for the period ended December 31, 2016. The Agency believes the amount of actual or potential claims as of December 31, 2016 will not materially affect the financial condition of the Agency.

Note 17 – Subsequent Events

During February 2017, an additional draw request for the FY15/16 Gravity Sewer and Manhole Rehabilitation loan was submitted to the State of South Carolina State Revolving Fund Program for $670,308. This draw request amount is not included in the State Revolving Loans Payable amount shown in Note 8.

During March 2017, the Agency issued $11,736,000 of refunding bonds to defease a portion of the Series 2009 revenue bonds. This refunding transaction provided the Agency with an economic gain of $219,725.

During February and March 2017, the Agency executed five contracts approximating $4.4 million for capital projects and equipment purchases.

Renewable Water Resources
Required Supplementary Information
Schedule of Funding Progress - Other Postemployment Benefits

Fiscal year [1]	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll[2] (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2016	June 30, 2014	$ -	$ 12,325,758	$ 12,325,758	0.0%	$ 12,203,162	101.0%
2016	June 30, 2014	-	12,325,758	12,325,758	0.0	12,109,581	101.8
2015	June 30, 2014	-	12,325,758	12,325,758	0.0	11,580,233	106.4
2014	June 30, 2012	-	11,756,531	11,756,531	0.0	11,463,560	102.6

1 - Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 fiscal year end.

2 - Covered Payroll of $12,203,162 represents the trailing twelve month period ended December 31, 2016. Covered Payroll for the period from July 1, 2016 to December 31, 2016 was $6,124,376.

Renewable Water Resources
Required Supplementary Information
Schedule of Agency's Proportionate Share of the Net Pension Liability

Fiscal year [1]	Agency's proportion of net pension liability	Agency's proportionate share of the net pension liability	Agency's total payroll	Agency's proportionate share of the net pension liability as a percentage of total payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.125092%	$ 26,719,467	$ 12,109,581	214.2%	52.9%
2015	0.123507	23,423,698	11,960,378	195.8	57.0
2014	0.126513	21,781,344	11,961,237	182.1	59.9
2013	0.126513	22,691,919	11,261,359	201.5	56.4

1 - Represents South Carolina Retirement System's fiscal year, which is June 30.

Renewable Water Resources
Required Supplementary Information
Schedule of Agency's Pension Contribution

Fiscal year [1]	Actuarial required contribution	Actual contributions	Contribution deficiency (excess)	Agency's total payroll	Contributions as a percentage of total payroll
2016	$ 709,222	$ 709,222	$ -	$ 6,124,376	11.6%
2016	1,339,320	1,339,320	-	12,109,581	11.1
2015	1,262,243	1,262,243	-	11,960,378	10.6
2014	1,215,138	1,215,138	-	11,961,237	10.2
2013	1,129,479	1,129,479	-	11,261,359	10.0
2012	972,459	972,459	-	10,666,643	9.1
2011	949,406	949,406	-	10,305,949	9.2
2010	915,126	915,126	-	9,981,382	9.2
2009	925,730	925,730	-	10,155,599	9.1
2008	837,421	837,421	-	9,466,863	8.8

1 - Prior to July 1, 2016, the Agency's fiscal year ended June 30. As of July 1, 2016, the Agency adopted a December 31 fiscal year end.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Renewable Water Resources
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of (the "Agency"), which comprise of the statement of net position as of December 31, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the period from July 1, 2016 to December 31, 2016 and the related notes to the financial statements, and have issued our report thereon dated March 21, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Greenville, South Carolina
March 21, 2017